

Family remittances – August’s 8.8% growth explained by the growth dynamics of the US labor market

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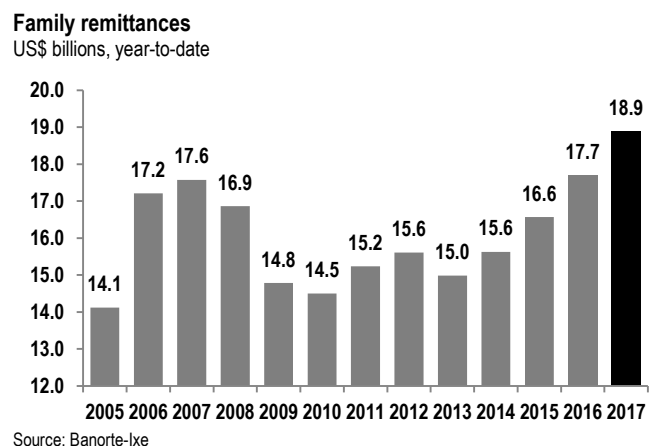
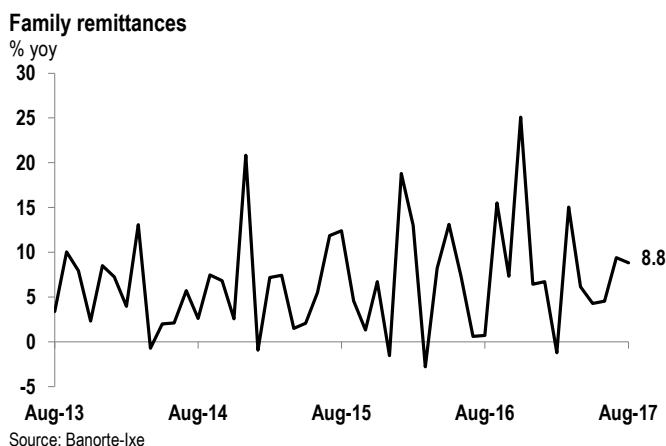
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- Remittances (August): US\$2,469.3mn; Banorte-Ixe: US\$2,432.2mn; consensus: US\$2,431.2mn (range of estimates: US\$2,350mn to US\$2,470mn); previous: US\$2,459.7mn
- Family remittances increased 8.8% yoy in August
- Year-to-date, family remittances reached a new historic high of US\$18.9 bn, which implies a 6.7% yoy expansion
- We believe that remittances growth was explained by two factors:
 - (1) The strength of the US labor market; and
 - (2) Trump’s anti-immigration policy, given that Mexican migrant workers without citizenship have continued to discount a higher probability of being deported
- Looking ahead, we continue to believe that the flow of remittances will be influenced by these factors

New historic high. According to Banxico, the flow of remittances sent during the eighth month of the year amounted to US\$2,469.2 million, marginally above our US\$2,423.2 million forecast (consensus: US\$2,431.2mn), which implies an 8.8% yoy expansion. In addition, the number of operations stood at 8 million (2.3% yoy) with an average amount of US\$310.2 (6.4% yoy). Year-to-date, the US\$18.9 billion remitted stands as the highest flow since Banxico started to measure these inflows (6.7% yoy; refer to Charts 1 and 2).

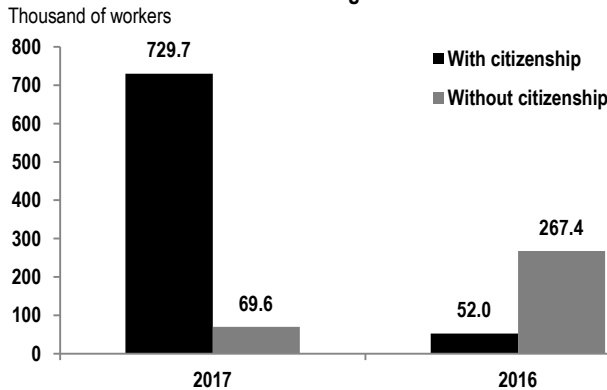
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Increase in remittances explained by the growth dynamics of the U.S. labor market and Trump’s anti-immigration policy. Once again, August’s growth was partially explained by the favorable growth dynamics of the U.S. labor market, which has induced a higher number of employed Mexican migrant workers. Year-to-date, the number of employed Mexican migrant workers with citizenship has increased dramatically (+729.7 thousand new jobs), while the job creation for Mexican migrants in U.S. without citizenship has diminished drastically compared to 2016 (refer to Chart 3). In this regard, we believe that U.S. employers have shown a preference for hiring legal migrant workers. In fact, the number of Mexican migrant population without citizenship has fallen drastically since January (refer to Chart 4).

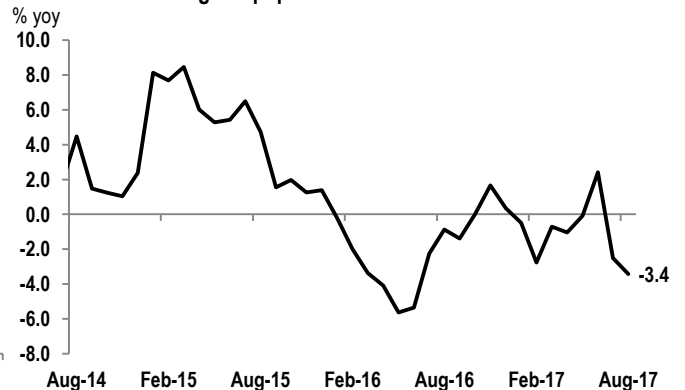
It is likely that the 6.7% expansion observed in remittances inflows throughout the year might be also explained by Trump’s anti-immigration policy. On average, Mexican migrants without citizenship tend to send a higher flow of remittances than Mexican migrants with citizenship. We believe that even though the job creation for illegal Mexican workers has been relatively stagnant, these workers have continued to discount a higher probability of being deported, which has translated in a higher flow of remittances sent to Mexico. This will be a preponderant factor explaining the flow of remittances in the coming months.

Chart 3: Job creation for Mexican migrant workers



Source: Banorte with data from the Current Population Survey

Chart 4: Mexican migrant population*



Source: Banorte with data from the Current Population Survey

* 16 years or older

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